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SECURITY INFORMATION~~
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SECURITY INFORMATION

CENTRAL INTELLIGENCE AGENCY
OFFICE OF NATIONAL ESTIMATES

5 January 1952

SUBJECT: NIE-50: THE CURRENT SITUATION AND PROBABLE
DEVELOPMENTS IN EASTERN GERMANY THROUGH 1952
(Draft copy for task team)

THE PROBLEM

To estimate the current situation and probable political,
economic, scientific, and military developments in Eastern
Germany through 1952.

ASSUMPTIONS

1. That there will not be general war within the period of the estimate.
2. That the integration of Western Germany into the Atlantic community and the rearmament of Western Germany will begin within the period of the estimate.

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DISCUSSION

I. THE SOVIET PROGRAM FOR EASTERN GERMANY

1. During the first years after the conclusion of hostilities, the Kremlin's determination to exact economic retribution for destruction in the USSR overshadowed other aspects of its German policy. The USSR ruthlessly extracted from Eastern Germany the immediately obtainable economic benefits by means of dismantlement, reparations deliveries from current production, and the establishment of Soviet-owned industrial companies (SAG's), which still own and operate many of the principal industrial enterprises of Eastern Germany.

2. A revised program, the first elements of which appeared in the fall of 1946, began to take form late in 1948 and became formal with the establishment in October 1949 of the German Democratic Republic (GDR). Soviet policy since 1949, as distinct from Soviet propaganda, indicates that the Soviet

1/ Eastern Germany includes the Soviet Zone of Germany and the Soviet Sector of Berlin. The German Democratic Republic (GDR) does not include the Soviet Sector of Berlin.

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objective for Eastern Germany is the establishment there of an industrialized Soviet Satellite state, integrated into the Soviet Orbit and designed to serve as a base from which the drive for a unified Soviet Germany may be maintained.

3. The Five Year Plan for 1951-1955, announced originally in July 1950 and revised in November 1951, reveals quite clearly that the organization of the Eastern German economy is modelled on the Soviet pattern and that the principal objectives of the Soviet program for Eastern Germany for the next few years are the following:

a. The transformation of the Eastern German economy from a primarily agricultural one to a highly industrialized one. The average annual investment in industry under the Plan is scheduled to exceed the 1936 German investment in industry by 38 percent, and industrial production is scheduled to increase 90 percent by 1955.

b. The economic dependence of Eastern Germany upon the USSR and its independence from the West. The raw materials, such as coke and iron ore, and the industrial machinery and parts which were previously obtained from the West are to be provided now by the Orbit or to be produced by Eastern Germany itself. Thus, machine tool construction in 1955 is scheduled to be 347 percent of the 1950 output, making Eastern Germany independent from the West for its machine tools and parts.

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c. The complete integration of the Eastern German economy into that of the Soviet Orbit. The trade agreement signed on 27 September 1951 by the USSR and by Eastern Germany appears designed to expand the Soviet type of planning system into Eastern Germany, to tie the Eastern German economy firmly to that of the USSR, and to ensure maximum Eastern German contribution of its present economic resources and production to Soviet economic and military strength. This four-year pact provides for Soviet exports of grain, coke, iron ore, and pig iron to this Satellite and for Eastern German exports to the USSR of machinery, electro-engineering equipment, precision instruments, and liquid fuels. Trade with non-Bloc countries is being reduced to the minimum.

d. The expansion in particular of those heavy industries equipped to contribute directly or indirectly to armament production or capable of easy conversion to armament production. Production in 1955 is planned to be approximately identical in composition and quantity with that achieved in 1944, the year of peak war production in Eastern Germany. Emphasis has been placed not only upon the machine construction and metallurgical industries, but upon those enterprises manufacturing the larger and more important industrial products. Thus, 25 percent of total investment for industry has been assigned to the metallurgical industry. Ten of the twenty-four

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machinery plants assigned priority under this Plan produce heavy machinery, and 21 percent of the 1951 investment for the engineering industry was assigned to those ten plants. These ten plants are expected to supply the mining and metallurgical equipment required to double steel production between 1950 and 1952 and to triple it between 1950 and 1955.

4. The Kremlin will almost certainly continue to seek control over all of Germany in order to eliminate the danger of another German-led invasion of the USSR and to add to the Soviet Orbit the geographical advantages and the immense resources in skilled manpower, industrial facilities, and natural resources of the entire country. Because a unified Soviet Germany is at least temporarily unobtainable, the Kremlin now aims to delay and if possible to prevent the integration of Western Germany into the Western system and the re-armament of Western Germany.^{1/}

5. The apparent contradictions in Soviet policy toward Germany are due not only to the prior claims of reparations but also to the Soviet effort to attain two apparently contra-

1/ NIE-53, now in process, is a thorough study of Soviet intentions toward Germany.

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dictory objectives at the same time: the control and reorganization along Soviet lines of Eastern Germany, and a unified Soviet Germany. Soviet progress toward the first of these two objectives has helped to prevent Soviet success in attaining the second objective. However, the reorganization of the political and economic structure of Eastern Germany and the integration of Eastern Germany into the Soviet Orbit are probably considered by the Kremlin, not as permanent barriers to German unity but as steps toward the formation of a unified Soviet Germany and the incorporation of that Germany into the Soviet system. The Kremlin has always preferred to operate from strength rather than from principle. Soviet control of Eastern Germany has provided the USSR with concrete political, economic, and military advantages. Moreover, the most overt Soviet controls can temporarily be surrendered, should any benefit be possible from such a maneuver, without affecting the foundations of Soviet authority. The Kremlin must also be aware that a unified Soviet Germany cannot now be obtained except through general war, that the problems involved in successfully integrating Western Germany into the Western system are numerous and extremely complex, and that the Kremlin still possesses a wide variety of political weapons for use in delaying and preventing the completion of the Western program.

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II. PROBABLE POLITICAL DEVELOPMENTS

Current Political Situation

a. Soviet Control

6. Soviet control over Eastern Germany is virtually complete and is assured by the instruments and techniques described in NIE-33, Soviet Control of the Satellites and Their Economic and Military Contribution to Soviet Power.

b. Governmental Structure

7. After the establishment of the GDR in October 1949, the Soviet Military Administration was succeeded by the smaller and more centralized Soviet Control Commission, the functions of which are to govern the Soviet Sector of Berlin and to maintain general supervision of the Eastern German regime. As Soviet political control of Eastern Germany became less overt, the Socialist Unity (Communist Party (SED) acquired all key positions and became the subservient executor of Soviet policy, with probably little or no influence in shaping that policy.

8. In order to maintain the fiction that Eastern Germany is a democratic multi-party state, the Communists have permitted the existence of purged, bourgeois political parties, the Christian Democratic Union (CDU) and the Liberal Democratic Party (LDP). The Communists in 1948 created two new parties,

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the Democratic Peasants Party and the National Democratic Party, to widen their support among elements of the population reluctant to join the SED or not desired within the SED. All political parties in 1949 were forced into a National Front controlled by the SED. The Communists use members of the other parties to disseminate both covert and overt propaganda to Western Germany; the CDU ministers in the Eastern German government have been particularly valuable to the Kremlin in promoting the unity campaign, which in 1948 replaced anti-Nazism as the principal element of the Communist line.

9. We estimate that approximately 90 percent of the seventeen million people of Eastern Germany are now unsympathetic to the present regime, even though popular support of the regime has increased slightly in the last two years, due primarily to the steady rise in the standard of living and to greater Soviet success in concealing controls and exploitation. Passive acceptance is general, and there is no evidence that popular discontent is organised. Probably only one-third of the ten percent who do favor the regime are convinced Communists.

10. The regime has made effective use of its monopoly of education and has directed its principal efforts toward the youth, who comprise one-third of the population and the great

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majority of whom have never lived under a democratic government. About one-half of the youth are members of Communist organizations. Perhaps a quarter of the age group between the ages of 6 and 25 has been favorably influenced by the benefits and opportunities granted and the pressures applied. The amount of active support which the regime receives from youth will probably increase in the future.

Probable Political Developments in 1952

11. The Kremlin has pursued its objectives in Eastern Germany with little regard for the effect produced in the West. There is no evidence that the Kremlin intends to relax or abandon its policies, and further consolidation of Communist power will probably be the principal political development within Eastern Germany in 1952. The SED will probably become a smaller but more reliable and effective party as former Socialists and unreliable or suspect Communists are replaced by young graduates of the Free German Youth.

12. The CDU and LDP will probably be permitted to continue their subservient existence, and the National Front will remain. The appeal of the mass organizations controlled by the SED will probably be heightened by the increase of privileges connected with membership, and it will probably become

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increasingly difficult for Eastern Germans to avoid participation in these organizations without incurring serious political and economic penalties.

13. A number of issues and forces remain which will throughout 1952 constitute irritations for the Kremlin in Eastern Germany but which will not jeopardize Soviet authority. Three of these — the desire for a unified Germany, the traditional German attitude toward the Russians and other Slavs, and a strong Christian tradition — derive from German history. Four — the loss of the territories beyond the Oder-Neisse, the imposition of the Soviet system, reparations and general Soviet exploitation of the area, and the attraction supplied by the freedom and greater prosperity enjoyed by Western Germany — are direct products of the recent changes.

14. The Eastern German security forces, which have been trained and which are infiltrated and controlled by experienced Soviet personnel, will probably be strengthened in 1952. The MVD will probably continue to operate in Eastern Germany. The Kremlin and its assistants have shown such skill and resolution in coping with unrest and in discovering and obliterating hostile forces that open opposition to the regime would probably not develop in 1952 even if the Soviet co-

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cipation and security forces were withdrawn.

The Position of Eastern Germany within the Soviet Orbit

15. The integration of Eastern Germany into the Soviet Orbit has made substantial progress during the past two years. Eastern Germany is a member of the Council of Economic Mutual Assistance (CEMA), an organization established and controlled by the USSR to help coordinate the economies of the Satellites. It has trade agreements, cultural accords, and treaties of friendship with the USSR and with most of the Satellites, and it has a trade agreement with Communist China. However, it does not have mutual assistance pacts with the USSR or with any of the Satellites, and it is not a formal member of the Cominform, although it sends observers to Cominform meetings and apparently maintains permanent representatives at the Secretariat in Bucharest.

16. There is no evidence, except from the Soviet propaganda campaign and from covert sources controlled by the Kremlin, that the Kremlin will relax in any way, or surrender, its present control over Eastern Germany in order to hamper or prevent the Western program for Western Germany.

17. The Kremlin almost certainly intends ultimately to raise Eastern Germany from its present junior partnership to the

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rank held by the other Satellites within the Orbit. However, there is little likelihood that it will conclude a unilateral treaty of peace with Eastern Germany until it has abandoned hope of preventing the integration of Western Germany into the Western system and the rearmament of Western Germany. We do not believe the Kremlin will reach this conclusion in 1952. Even if the Kremlin should conclude a peace treaty with Eastern Germany, it is probable that the occupation forces would remain on "request" of the GDR and that the Kremlin would not conclude a mutual assistance pact with Eastern Germany.

III. PROBABLE ECONOMIC DEVELOPMENTS

The Current Economic Situation

18. Eastern Germany constitutes roughly one-third of Potsdam Germany in total area, population, arable land, and industrial capacity. Its main asset has been its generally balanced food economy. It has been dependent upon Western Germany for its industrial machine and for most of its basic raw materials. This dependence, Soviet dismantling, loss of the Silesian coal fields to Poland, and extensive uncompensated deliveries to the USSR have hampered the attempt to restore and then to transform the economy. Recovery has been

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consistent since the USSR ceased removals of capital equipment in 1948, when Eastern German industrial capacity had reached a depth of less than 50 percent that of 1936. Industrial production in 1950 was estimated at 85 percent of the 1936 level, and production in 1951 probably equalled that of 1936.^{1/} Considerable progress has already been made toward greater economic independence from the West. The share of the Soviet Orbit in the foreign trade of Eastern Germany amounted in 1950 to more than 80 percent and will almost certainly increase. However, the standard of living in 1951 was only two-thirds of the 1936 level, in spite of slight but steady improvement since 1949.

19. Nationalization of industry and collectivization of agriculture are expressed goals of the Eastern German regime. Heavy industry, transportation, and foreign trade are already under complete governmental control. Sixty-eight percent of industrial production in 1950 came from state-owned and Soviet-

^{1/} The Eastern German and Soviet authorities claim that industrial output in 1950 surpassed the 1936 level slightly. The 1951 Plan scheduled an 18 percent increase in the gross value of production over 1950. The Kremlin claims that industrial production in 1951 will then be 128 percent that of 1936.

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owned installations. We estimate that this figure mounted to about 77 percent in 1951, and the percentage was much higher in certain individual industries, such as synthetic fuel. Private industry and commerce now exist only under close regulation by the government, which controls investment, allocates raw materials and labor to individual plants, and maintains central authority over all subcontracting. Communist-controlled trade unions and discriminatory taxes are other weapons against private enterprise.

20. Although little effort has been made yet toward collectivization, agriculture is completely under the regime's control. Government allocation of seed and fertilizer, the Machine Lending Stations, the Farmers' Mutual Aid Society (a Communist-controlled farm cooperative), and discriminatory crop delivery quotas assure the regime's authority.

Eastern German Economic Contributions to Soviet Strength

21. Eastern Germany serves as a medium for obtaining from the West, especially from Western Germany, materials and equipment which are important to the Orbit war potential and which the USSR and the other Satellites find difficult to obtain directly. We estimate that approximately three-quarters of the imports from Western Germany are clandestine, and that approxi-

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mately two-thirds of the total imports from Western Germany are destined for the USSR. The remaining materials and equipment are obtained for the Eastern German industries which deliver products to the USSR and for the industries of the other Satellites.

22. Direct Soviet economic activity and uncompensated deliveries remain the outstanding characteristics of the Eastern German economy. Soviet-owned industrial enterprises (SAG's)^{1/} contribute about 22 percent of the total net industrial production. They have an absolute monopoly in the basic chemical industries and control about one-third of Eastern Germany's brown coal production, two thirds of the potash production, one-half of the metallurgical capacity, one-half of cement capacity, and about 90 percent of other building material capacity. SAG plants control about 31 percent of the electric power generating capacity and produce about 45 percent

1/ When the Kremlin realized in 1946 that dismantling of Eastern German factories was producing a cumulative detrimental effect upon production by other factories for reparations, it transferred some plants designated for dismantling to Soviet ownership but left them in Eastern Germany to be operated with German labor and raw materials. A few of these plants have since been "sold" to the GDR.

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of the electric power. The total number of SAG German employees in the summer of 1951 was estimated at 300,000. The Eastern German regime has no control over the SAG plants, which obtain preferential treatment in the procurement of workers and which receive materials on a priority basis at prices fixed below production costs. SAG production is delivered to the USSR or exported on Soviet account.

23. The principal economic contribution from Eastern Germany to the USSR consists of the flow of manufactured goods to the USSR. The bulk of this is composed of uncompensated deliveries, which include the production of the SAG plants, other reparations deliveries from current production of state-owned and private plants, occupation costs, and other services. We estimate that uncompensated deliveries to the USSR have averaged approximately \$2,000,000,000 annually since 1948, roughly the equivalent of the annual average investment scheduled under the Five Year Plan. In 1950, uncompensated deliveries amounted to approximately 17 percent of the net value of industrial production in Eastern Germany, and in 1951 industrial deliveries are estimated at 13 percent of the increased Eastern German net industrial production.

24. The most important goods provided the USSR by Eastern Germany are the following:

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a. Eastern Germany in 1950 is estimated to have supplied approximately 45 percent of the Soviet Orbit's uranium ores and concentrates. The Eastern German share in uranium production may have declined slightly in 1951, but Eastern Germany remains the largest single source of fissionable material available to the USSR.

b. Eastern Germany exports to the USSR approximately 50 percent of the total annual production of its engineering industries, or an amount equal to about 10 percent of Soviet annual production. Some items, notably equipment for electrical installations and railroads; mining, metallurgical, and metalworking equipment; industrial instruments, and machine tools constitute a particularly important contribution to Soviet industrial and military expansion because of the highly skilled labor involved in their manufacture. The size of the Eastern German engineering industry is illustrated by the fact that its 700 major plants employ about 700,000 workers and contribute about 25 percent of the value of Eastern German industrial production.

c. Eastern Germany exports to the USSR about 50 percent of its synthetic rubber production, or an amount equal to about 10 percent of USSR production. Eastern Germany is the only significant Satellite producer of synthetic rubber, and it makes most of the chemicals used. Its exports to Poland and

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Czechoslovakia constitute an additional contribution to the
Orbit's military potential.

d. Eastern Germany furnishes to the USSR about one-third of its synthetic fuel production, or an amount equal to about ____ percent of USSR synthetic fuel production. The synthetic fuel industry of Eastern Germany is the largest and most highly developed in the world and now produces almost 60 percent more than domestic requirements. The current Eastern German petroleum stockpile exceeds annual production, and probably amounts to 50 percent more than the current combined annual needs of the domestic economy and the Soviet occupation forces.

e. Eastern Germany for the past three years has been an important manufacturer of small arms, weapons components, and munitions, and it may recently have begun to manufacture heavy armaments equipment, such as T-34 and Stalin tanks. Although available evidence does not provide data adequate for estimating the current significance of arms production in Eastern Germany, it is clear that Eastern Germany is the largest potential center for armaments manufacture among the Satellites and that the Soviet goal is the 1944 production peak.

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Probable Economic Developments in 1952

Probable Progress in Economic Program

25. The Plan for 1952 schedules an increase in industrial production of approximately 18 percent over the 1951 level; it is probable that the increase in production will not exceed 10 percent, but the level of attainment in the key industries and the key factories, particularly those manufacturing military equipment, may more closely approximate the target percentage. Stockpiling will continue, and Eastern Germany will become an advanced supply area. The number of industries owned and operated by the state will probably increase 10 percent in 1952, and all industry will probably be state owned and operated by 1955.^{1/}

26. There is no evidence that the regime plans to increase collectivization in 1952. Present controls are adequate, and collectivization would surely stimulate added opposition.

27. The most recent Soviet announcement indicated that reparations deliveries from Eastern Germany will continue through 1965. It is unlikely that uncompensated deliveries

1/ According to the latest revision of the Five Year Plan, in 1955 state-owned concerns are scheduled to account for 62 percent of industrial production, private industry 18 percent, and the SAG's 20 percent.

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will cease in 1952, though they will probably be concealed more skillfully. The SAG's could be sold to the Eastern German government, with no loss to Soviet control or exploitation and with great propaganda benefit, but there is no evidence that this operation will occur.

Limitations on Eastern German Economic Capabilities

28. The program in effect since 1948 to restore and transform the Eastern German economy will continue to encounter difficulties, due primarily to the regime's inability to obtain the necessary supplies of materials and equipment. The following deficiencies constitute the most important limiting factors on Soviet economic plans for Eastern Germany:

a. The planned expansion of industry exceeds the supply of available skilled labor and management and estimated ability to train skilled workers, technicians, and managers. The manpower problem is particularly serious because young technicians and skilled workers constitute an important percentage of the annual average rate of 250,000 defections to the West.

b. Eastern Germany lacks adequate supplies of many of the raw materials necessary for a modern industrialized economy. High-grade iron ore, coke, copper, lead, zinc,

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nickel, chromium, molybdenum, tungsten, caustics, sulphur, and pyrites are extremely limited in supply.

c. Deficiencies in capital equipment also hamper the program. Machine tools and electrical generating equipment are the principal vulnerabilities, and it has been difficult if not impossible, to obtain these items from the West, even through clandestine trade. Most of the critical equipment needed in Eastern Germany is in short supply within the entire Orbit, but the increase of domestic production as the Five Year Plan progresses should reduce the critical nature of this shortage.

IV. CURRENT SCIENTIFIC SITUATION AND SCIENTIFIC DEVELOPMENTS

29. Eastern Germany inherited an important portion of Germany's scientific tradition and resources. Although war destruction, emigration, dismantling, the deterioration of laboratory facilities, and Soviet regimentation have hampered scientific development, the number of scientists in Eastern Germany now approximately equals the pre-war figure and the 6 universities, 13 technical schools, and numerous research departments and institutes remain important centers for scientific research and education.

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30. Scientific research in Eastern Germany since 1945 has been primarily in the applied fields, as distinct from basic or pure research, and has concentrated upon the development of substitute materials and the improvement of processes in heavy industry. Research upon the most important military items, such as the V-2 rocket, was transferred to the USSR in 1947 and 1948. It is probable that in 1952 increasing scientific effort will be devoted in Eastern Germany to research in the fields of electronics and nuclear energy. The scientific research upon military items now being conducted in Eastern Germany is under direct Soviet control, while the planning and direction of all other research are the responsibility of the GDR.

31. Soviet policy encourages scientific research in Eastern Germany, particularly by ample allotment of funds for research and by the preferential treatment given scientists. Many scientists have been returned to Eastern Germany from the USSR since 1949. Although the program to lure scientists from Western Germany has had little success, the contacts between the scientists of Eastern and of Western Germany do constitute important political and scientific benefits for the USSR.

32. Although scientific research in Eastern Germany complements Soviet research in certain fields, such as elec-

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tronics and bacteriology, the principal benefit to the USSR from Eastern German science is not access to a superior body of knowledge but the additional scientific manpower and research facilities Eastern Germany provides. Although a rapid expansion of enrollment in the educational institutions is planned, the current decline of standards in higher education in Eastern Germany will probably nullify the probable increase in numbers of trained research workers.

V. PROBABLE MILITARY DEVELOPMENTS

Eastern German Armed Forces

a. Ground Forces

33. The Alert Police, organized in 1948 to provide the cadres for an Eastern German army, has a present strength of 52,000 men organized into 24 Alert Units, several specialist organizations, and schools. The original plans provided that a Soviet Zone Army of about 300,000 men organized into 24 divisions, with supporting services, be ready for combat by the summer of 1951. However, these units have not expanded since November 1950, when they reached their present strength. They are now hampered by inadequate equipment, insufficient training, and low morale, and their present capabilities are very limited. It is estimated that the present units could be enlarged to about 100,000, formed into 8 small divisions, and prepared for

combat in six months, if they were integrated into Soviet corps. However, a major expansion of these units in 1952 is considered unlikely because of the effect such action would have upon the Western German integration and rearment program and upon the adjacent Satellites.

b. Air Force

34. An Eastern German Air Police Headquarters was established in January 1951, but evidence available thus far indicates that its functions have been limited to registering Luftwaffe veterans and politically reliable young men and to drawing plans for an air force. Some German pilots and crews are probably being trained now in the USSR, but the Kremlin could probably not form a skilled and reliable Eastern German air force before 1953.

c. Naval Forces

35. The capabilities of the Eastern German naval force are currently limited, and the personnel is not considered completely reliable. Soviet control is being improved through the elimination of all whose loyalty is suspect and through intensive political indoctrination courses. The Eastern German naval units probably have been conducting joint coastal defense and minesweeping operations with the Soviet naval forces, and in 1952 they could probably conduct limited anti-submarine, minesweeping, and patrol operations.

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Soviet Occupation Forces

36. Control of Eastern Germany has pushed the frontiers of the Soviet Orbit deep into the flat coastal plains of north-central Europe. Eastern Germany provides the USSR an advanced air base for striking Westward or for parrying an attack upon the Orbit, space for a forward air defense system, and naval bases. Soviet control of the area constitutes a poised threat to all of Western Europe and the Scandinavian Peninsula.

37. The bulk of the Soviet forces in the Satellite area is concentrated in Eastern Germany and constitutes the spearhead of Soviet military strength. Soviet ground forces stationed in Eastern Germany number 304,000 men, organized into twenty-two divisions, which form four mechanized and two rifle armies. There has been no significant change in the composition or quality of these forces, and there is no evidence that any change will occur within the period of this estimate.

38. Approximately 1,300 Soviet-manned aircraft are concentrated in Eastern Germany. The movement in the fall of 1951 of Soviet jet fighters from six Eastern German air bases temporarily reduced Soviet air capabilities, but apparently these aircraft have now been replaced. The quality of the Soviet air force stationed in Eastern Germany has improved greatly during

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1951: Jet fighters have now replaced conventional ones, jet light bombers are appearing, and long-range bombers have been sighted on Eastern German airfields. Of the Soviet-manned aircraft now stationed in Eastern Germany, approximately 750 are jet fighters, 150 light bombers, 270 attack bombers, 90 transports, and 40 reconnaissance planes.

39. The extensive Soviet program of air field improvement and construction in the Satellite area has concentrated most heavily upon Eastern Germany, where 12 airfields can now support sustained, and 13 limited, operations by heavy and medium bombers. Six or 7 additional air fields will probably attain this standard by the end of 1952. The Eastern German network is the best equipped in Eastern Europe and provides the most extensive and up-to-date facilities for night-flying and all-weather operations. Moreover, within the past six months, there has been a considerable increase in POL storage facilities and great improvement in the service and repair facilities.